

AGENDA

A Financial Times Service

Demand Mounts for Directors With Digital Smarts

By Amanda Gerut

More companies are seeking directors with digital and social media expertise, and the urgent demand is prompting boards to consider some people who at first glance would appear to be unlikely candidates.

The Starbucks board in December made headlines when it invited 29-year-old Clara Shih to join its ranks. The founder of social media start-up Hearsay Social, Shih has held marketing positions at Google, Microsoft and Salesforce.com. She also has degrees from Stanford and Oxford universities.

Starbucks CEO Howard Schultz said in a statement that Shih's social media background will help the company as it seeks to "amplify the online experience and interactions Starbucks has with our customers, partners and communities."

The previous month, Lululemon Athletica added to its board Facebook executive Emily White, 33, who is senior director of mobile partnerships at the social media behemoth. Previously, White worked at Google, where she ran its Asia-Pacific and Latin American operations.

And last September, eBay announced that Facebook mobile marketing head Katie Mitic was its newest board member. Mitic, 42, previously held marketing and management positions at Palm and Yahoo.

As these recent examples show, boards are raiding the executive ranks of America's top technology brands to recruit new directors with backgrounds in social media. Why? "Social media is a conversation and interacts with consumers and stakeholders," writes Theodore Leonsis, who serves on the boards of American Express, Alcatel-Lucent, NutriSystem and Rosetta Stone, in an e-mail. "I have always believed a high level of engagement is a necessity in building and growing a brand."

In other words, Leonsis says, while social media may be considered a trend, it's actually a type of communication, and as such is a critical piece in growing a business.

To snag new directors who are fluent in this new language, companies are willing to be flexible about attributes historically considered boardroom requirements. For example, none of the freshman directors named above is an active or retired CEO — in fact, none has reached the C level yet. And they're all first-timers on public company boards.

But boards are obviously so eager to gain the 21st-century digital perspective on the world that they're prepared to break with tradition.

"You need people who are players, who are very smart and who have hands-on experience," says Dora Vell, the managing partner of Vell Executive Search, which is active in the technology sector. "Why limit your board to only CEOs and CFOs?"

Supplies Are Limited

When search firm Spencer Stuart surveyed corporate secretaries for its 2011 Board Index, it found that demand for directors with digital expertise — experience in social media, technology and e-commerce — had increased by 26% in the last year.

In a report published with the survey results, Spencer Stuart cautioned that the demand for such directors dwarfs the supply. As a result, many candidates will have backgrounds very different from the classic board member profile.

Leonsis is an exception, with a résumé more like what one might expect of a Fortune 500 board member. He is CEO, chairman, founder and majority owner of Monumental Sports and Entertainment, which owns and operates the National Hockey League's Washington Capitals, the National Basketball Association's Washington Wizards, and the Women's National Basketball Association's Washington Mystics. The company also owns and operates the Verizon Center arena in downtown Washington, D.C.

Leonsis was tapped for the AmEx board after the company in January 2010 purchased a tech firm called Revolution Money, a payment platform in which Leonsis was an investor and where he served as chairman. Initially, American

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Express envisioned Leonsis as a special assistant to CEO Kenneth Chenault to help the company usher in a host of digital strategies. But he was soon appointed as a director and asked to chair the board's new innovation and technology committee.

According to the company's proxy statement, the committee, formed in July 2010, is responsible for reviewing and reporting to the board on major management strategies related to technological and commercial innovation; the technology acquisition process; and systems in place to measure the success of tech innovation.

"Those who embrace connecting and engaging in a transparent, two-way communication — including the use of social media — are companies that will prosper," Leonsis writes.

Leonsis says he blogs daily, posts on Facebook and Twitter, publishes his e-mail address, and makes a point of being responsive to customers and business partners. "I think every board of directors would benefit from someone committed to online interactions with customers and business partners," he writes.

New Demographics

Appointing new directors with digital expertise brings fresh blood into the

boardroom. And the recruits can help a board mirror more closely the background of its company's customers.

At some companies, the search for social media savvy is even making the boards more diverse. For instance, last March, AutoNation's board appointed another Facebook executive, Alison Rosenthal. Rosenthal works in business development at Facebook, and previously worked for a global private equity fund focused on information technology and for Goldman Sachs Group. The board brought her on specifically because of her social media expertise, also citing her financial and investment experience.

Rosenthal, 34, joins a board that consists entirely of men. The directors closest to her in age are 17 years her senior, according to the company's most recent proxy statement. "Diversity on the board isn't bad," remarks executive recruiter Vell.

Similarly, in June, WWE appointed Patricia Gottesman to its board. Gottesman is CEO of social media monitoring company Crimson Hexagon and previously spent 29 years with Cablevision Systems, including a stint in its digital marketing and commerce branch. Gottesman also joins a board that consists solely of men, although WWE has two women senior executives, according to its website.

If greater diversity turns out to be a side effect as boards cast their nets for digitally

experienced new directors, that's all to the good, Leonsis says. "Being open to various types of board members, encouraging differing ideas and accepting those who challenge conventional thinking is what pumps life into a board of directors and ultimately the company," he writes.

Dora Vell is the CEO of Vell Executive Search, a premier retained technology executive search firm in Boston. Ms. Vell is an internationally recognized expert in recruiting technology executives including: CEOs, COOs, CTOs, CMOs, CROs, board members and others. She works with VC-backed, PE-backed private companies and public companies. She can be reached at dora@vell.com.